

# Session 13(a)

## Refunds and Repayments: Definitions & Overview

Questions we will answer by the end of this session:

**W**hat are refunds and repayments?

**H**ow do you handle Title IV credit balances and late disbursements?

**W**hat is the difference between institutional and noninstitutional charges?

**H**ow do you choose the correct refund calculation?

**H**ow quickly must you return the funds?

## What are refunds and repayments?

### A Common Scenario

Jennifer enrolls in a 900-clock-hour, 30-week Graphics Design program at Rose Community College (RCC). The school packages \$5,000 in financial aid for Jennifer, including Pell, a subsidized FFEL, and a school scholarship. RCC divides the year into two 450-clock-hour payment periods.

At the start of the program, they disburse \$2,500 to Jennifer to cover the first payment period. They credit her school account with \$1,500 to cover tuition and fees, and disburse the remaining \$1,000 in cash directly to Jennifer to cover living expenses.

Three weeks later, Jennifer informs RCC that she must withdraw from school because of personal problems. At this point, the school has “earned” three weeks worth of the \$1,500 that they credited to Jennifer’s school account when classes began. Jennifer has “earned” three weeks worth of the \$1,000 she received to cover living expenses.

But, the school must return whatever they did not “earn” to the Title IV programs and the scholarship fund. **This return of funds used to cover institutional charges is called a REFUND.** (These funds were originally credited to the student's school account.)

Jennifer must return the amount she did not “earn” to the school. The school must then return this money to the programs as well. **This return of funds that were used to cover noninstitutional charges is called a REPAYMENT.** (These funds were usually disbursed as cash directly to the student.)

## How do you handle Title IV credit balances & late disbursements?

### Title IV Credit Balance

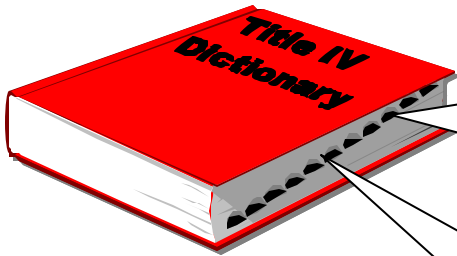
- 1) School determines percentage of noninstitutional charges student incurred while enrolled that were not covered by any other sources.
- 2) School disburses amount of credit balance needed to cover these charges.
- 3) School returns remaining credit balance to Title IV programs.
- 4) School includes disbursed credit balance as part of refund and repayment calculations.

### Late Disbursement

- 1) School determines percentage of institutional charges the student incurred while enrolled that were not covered by any other sources.
- 2) School covers institutional charges by crediting late disbursement to student's school account.
- 3) School determines percentage of noninstitutional charges student incurred while enrolled that were not covered by any other sources.
- 4) School makes late disbursement to student to cover these charges.
- 5) School returns any undisbursed Title IV that exceeds these charges back to the program funds.
- 6) If late disbursement of Title IV – *must* include in calculations;  
if late disbursement of state aid – *may* include in calculations;  
if late disbursement of other aid – *must not* include in calculations.

**Note:** School policy may be to not make any late disbursements.

## What is the difference between institutional charges & noninstitutional charges?



### **Institutional Charge**

Charges for which the school requires *direct payment*. (i.e., tuition & fees)

### **Noninstitutional Charge**

Charge for educational purpose for which a source outside the school requires payment. (i.e., transportation costs)

### Room and Board



**Institutional charge** if student lives in school-operated housing (i.e., the dorms).

**Noninstitutional charge** if student lives in housing not affiliated with the school (i.e., a local apartment).

Even if charges pass through the school, still noninstitutional.

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### Books and Supplies:

**Institutional charge** if the student can only purchase at a school-affiliated store, like if the school charges the student directly as part of the enrollment agreement, or the school gives the student vouchers that can only be used at the school bookstore.

**Noninstitutional charge** if the student has a reasonable opportunity to purchase the books and supplies from a vendor not affiliated with the school; the student must be able to make the purchase in time for classes. Even if the student chooses to buy the books from a school vendor, if the student could have bought them from an outside vendor, the charge is noninstitutional.



## Checkpoint #1: Definitions

Underline the italicized words that best fit in each choice:

Vlade enrolls at Transylvania State University (TSU). His program, phlebotomy, takes two years to complete. TSU packages \$7,000 of financial aid for the first year. The school has two terms per academic year, fall and spring. The school credits Vlade's account with \$2,500 to cover *institutional / noninstitutional* charges for the first term. His supplies are available at both the school store and a local business. Vlade decides to purchase them at the school store because they stay open late at night. The school would consider these charges as *institutional / noninstitutional*. While the dormitories are very nice, Vlade decides to live "on his own." Therefore, these charges would be *institutional / noninstitutional*. When classes start, Vlade receives a check for \$700 to help cover noninstitutional charges. Since all of his institutional charges have been covered, the school still has another \$300 to disburse. This is called a *late disbursement / credit balance*.

After six weeks, Vlade decides he has learned enough. Besides, his eyes tend to melt during his daytime classes. So, he withdraws on October 31st.

First, the school notes Vlade's withdrawal date. Vlade officially withdraws; the school *does / does not* have to check his attendance records to see if he has actually attended during the weeks leading up to October 31st.

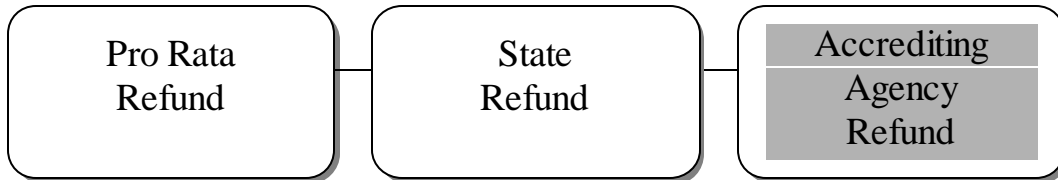
Next, the school figures out how much of his *institutional / noninstitutional* charges Vlade incurred before leaving school. They must do this to properly *make the late disbursement / pay his credit balance*. Once TSU does this, they *should / should not* count the funds when doing refund and repayment calculations.

Finally, the school performs the calculations. Any money that went directly to Vlade to cover *institutional / noninstitutional* charges will be part of the *refund / repayment* calculation. The funds that were credited to his account to cover *institutional / noninstitutional* charges are part of the *refund / repayment* calculation.

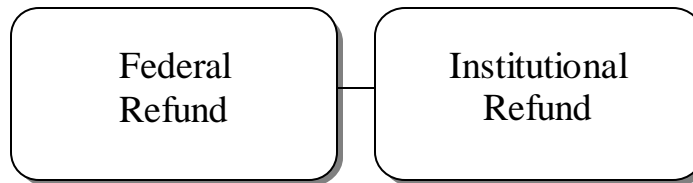
## How do you choose the correct refund calculation?

### Levels of Refunds

Level 1 (choose all that apply)



Level 2 (only if no Level 1 refunds apply)



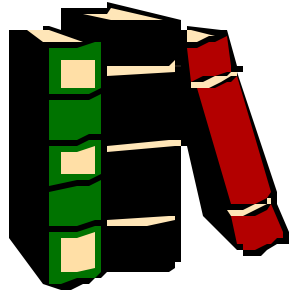
### Checkpoint #2: Selecting Refund Calculations

Kaler College features an enrollment period that lasts from 9/1 through 5/12. There is no applicable state policy for this school.

- 1) Bill is a first-time freshman who withdraws on April 11. Which refund(s) must you calculate? \_\_\_\_\_
- 2) Kathy, also a first-time freshman, is expelled on October 8. Which refund(s) must you calculate? \_\_\_\_\_
- 3) Scarlett, in her third year at Kaler, withdraws on September 6. Which refund(s) must you calculate? \_\_\_\_\_

## How quickly must you return the funds?

<i>Time Frames for Return of Funds</i>				
Reason for refund calculation	SFA funds (non-FFEL) must be returned to SFA Program accounts within...	FFEL funds must be returned to the lender within...	Funds due to a student must be paid within...	Determination of the student's withdrawal date must be made within...
Official withdrawal	30 days from the later of— • last date of attendance • student notification	60 days from the later of— • last date of attendance • student notification	30 days from the later of— • last date of attendance • student notification	N/A
Unofficial withdrawal	30 days of date of determination by school that student ceased attending	60 days of date of determination by school that student ceased attending	30 days of earlier of— • date of determination by school that student ceased attending • end of term • end of period of enrollment for which the student has been charged	30 days of earlier of the end of— • the academic year • the program • the period of enrollment for which the student has been charged
Never returned from approved leave of absence	30 days of earlier of— • end of the LOA • student notification	30 days of earlier of— • end of the LOA • student notification	30 days of earlier of— • end of the LOA • student notification	N/A
Unapproved leave of absence	30 days from student's last recorded date of attendance	60 days of the last recorded date of attendance	30 days from student's last recorded date of attendance	N/A



# Resources Resources

★ *Federal Student Financial Aid Handbook:  
Institutional Eligibility and Participation*

★ 34 CFR 668.22



## Answer



## Key

### Checkpoint #1 – Definitions

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### Checkpoint #2: Choosing Refunds

1. Federal and Institutional
2. Pro Rata
3. Federal and Institutional